

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Flint	County Genesee
Audit Date 6/30/05	Opinion Date 12/9/05	Date Accountant Report Submitted to State:	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- | | |
|---|---|
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).		✓	

Certified Public Accountant (Firm Name)

Plante & Moran, PLLC

Street Address

111 East Court Street, Suite 1A

City

Flint

State

MI

ZIP

48502

Accountant Signature

Roggy Howard Jones

Date

12/28/05

**Federal Awards
Supplemental Information**

**City of Flint
Michigan**

June 30, 2005

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Independent Auditors' Report

To the Honorable Mayor and the City Council
City of Flint
Genesee County, Michigan

We have audited the financial statements of the governmental activities, business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flint as of and for the year ended June 30, 2005, which collectively comprise the City of Flint's basic financial statements, and have issued our report thereon dated December 9, 2005. Those basic financial statements are the responsibility of the management of the City of Flint. Our responsibility was to express an opinion on those basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the City of Flint as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Plante & Moran PLLC
December 9, 2005

Independent Auditors' Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Audit Standards*

To the Honorable Mayor and the City Council
City of Flint
Genesee County, Michigan

We have audited the financial statements of the governmental activities, business type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Flint as of and for the year ended June 30, 2005, which collectively comprise the City of Flint's basic financial statements, and have issued our report thereon dated December 9, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the City of Flint's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect City of Flint's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as findings 05-1 through 05-5.

A material weakness is a condition in which the design or operation of one or more of the internal controls components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we consider the reportable conditions related to grants administration and the lack of segregation of duties over the golf course receipts and the death benefits checking account to be material weaknesses (findings 05-3, 05-4, and 05-5).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Flint's financial statements are free of material misstatement, we performed tests on its compliance with certain provisions of laws, regulations, contracts and grants, and other matters, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information of the City Council, management, the State of Michigan, cognizant audit agency, and federal awarding agency and pass-through entities, and is not intended for and should not be used by anyone other than these specified parties.

Plante & Moran PWC

December 9, 2005

Independent Auditors' Report on Compliance with Requirements Applicable
to Each Major Program and Internal Control over Compliance
in Accordance with OMB Circular A-133

To the Honorable Mayor and the City Council
City of Flint
Genesee County, Michigan

Compliance

We have audited the compliance of the City of Flint with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2005. The City of Flint's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs are the responsibility of the City of Flint's management. Our responsibility is to express an opinion on the City of Flint's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City of Flint's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Flint's compliance with those requirements.

As described in items 05-6 through 05-16 in the accompanying schedule of findings and questioned costs, the City of Flint did not fully comply with the requirements regarding reporting subrecipient monitoring, cash management, equipment management procurement, and special tests and provisions that are applicable to its major programs; Community Development Block Grant, HOME Investment Partnership Program, Urban Parks and Recreation Recovery, Local Law Enforcement Block Grant, Homeland Security and COPS Grants. Compliance with such requirement is necessary, in our opinion, for the City of Flint to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Flint complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2005.

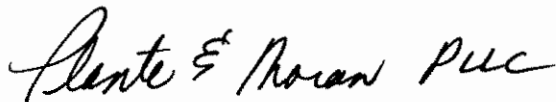
Internal Control over Compliance

The management of the City of Flint is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Flint's internal control over compliance with requirements that could have direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect City of Flint's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 05-6 through 05-16.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level risk that noncompliance with applicable requirements of laws, regulations, contracts, and grant that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, none of the reportable conditions described above are considered to be material weaknesses.

This report is intended solely for the information of the Council, management, federal awarding agencies, and pass-through entities, and is not intended for and should not be used by anyone other than these specified parties



February 21, 2006

City of Flint
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

Section I

Part I

1. Did the auditee expend more than \$25,000,000 in federal awards during the fiscal year? _____ Yes X No
2. If answer to question 1 was yes, indicate which federal agency provided the predominant amount of direct funding. _____

Part II – Financial Statements

Type of auditor's report issued: Unqualified

Going concern explanatory paragraph included _____ Yes X No

Internal control over financial reporting:

Material weakness(es) identified? X Yes _____ No

Reportable condition(s) identified that are not considered to be material weaknesses? X Yes _____ None reported

Noncompliance material to financial statements noted? _____ Yes X No

Findings related to the financial statements reported in accordance with *Governmental Auditing Standards*: None

Part III – Federal Programs

Type of auditor's report issued on compliance for major programs: Qualified

Does the auditor's report include a statement that the auditee's financial statements include departments, agencies, or other organizational units expending greater than \$500,000 in Federal awards that have separate A-133 audits which are not included in this audit? _____ Yes X No

Dollar threshold used to distinguish between Type A and Type B programs \$300,000

Auditee qualified as low-risk auditee _____ Yes X No

City of Flint
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2005

Section I – (continued)

Part III – Federal Programs – (continued)

Is a reportable condition disclosed for any major program? X Yes No

Is any reportable condition reported as a material weakness? Yes X No

Are any known questioned costs reported? X Yes No

Was a Summary Schedule of Prior Audits Findings Prepared? X Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
11.307	Title IX Revolving Loan Fund
14.218	Community Development Block Grant
14.239	HOME Investment Partnership
16.710	COPS
16.592	Local Law Enforcement Block Grant
97.044	Homeland Security
15.919	Urban Parks and Recreation Recovery Program Grant

Section II

Findings relating to the financial statements reported in accordance with *Governmental Auditing Standards* that are considered to be reportable conditions:

05-1 Adoption and Amendment of the Annual Budget

The budget adopted for 2005 did not show the change in fund balance as required by state law. In addition, when budget amendments were presented to council for approval during the year, the new fund balance after the budget amendment was not provided as part of the information supplied to council. State law prohibits City Council from adopting a budget that would result in a fund deficit. By not providing the fund balance impact in the original budget and not showing an on-going amended fund balance amount, council could budget a fund into a deficit. We would recommend that all budgets and budget amendments presented to council provide the impact on fund balance that would result from adoption of the budget resolution and the new fund balance amount once the budget resolution is adopted.

05-2 Budget to Actual Reporting

City Council was not provided with periodic budget to actual reports to allow Council to properly monitor the budget. We would recommend the Council receive monthly budget to actual reports.

City of Flint
Schedule of Findings and Questioned Costs (continued)
Year Ended June 30, 2005

Section II – (continued)

05-3 Grants Administration

During fiscal 2004 a staff person in the Finance Department was given the responsibility to oversee grants. A spreadsheet detailing all known grants and their status as well as pertinent grant information is now maintained in the Finance Department. We suggested a process be developed whereby any City department receiving a grant must meet with the grants person in Finance and provide that person with a copy of the grant agreement and the name of the person who is to be the grant manager. Once the grant is started the grant manager must regularly provide the Finance Department with a copy of the grant reimbursement request accompanied by the general ledger reports from which grant requests are made. All quarterly or annual grant reports and any communication with the granting agency should also be forwarded to the Finance Department grants person. As of June 30, 2005, finance is still not consistently receiving the grant agreements and communication from the departments that finance needs to properly perform grant administration.

05-4 Golf Course Cash Receipts

Due to the size of the staff at the golf courses there was a lack of segregation of duties during 2005 and prior years. The supervisor for each course receipts cash, prepares the receipt and deposit forms, and determines the account coding assigned to receipts. The course supervisor has control over both the undeposited cash and the financial records related to those cash receipts prior to the deposit of the receipts with Treasury. Under these circumstances, the possibility of a error being made in the accounting records and not being discovered on a timely basis exists.

We wish to make it absolutely clear that we are not suggesting that the golf supervisor is making errors of any nature. What we are saying is that due to the lack of segregation of duties, there is an inherent limitation in the golf courses' system of internal accounting control, and we are required to disclose this to you. The ideal situation would allow the City to segregate the recordkeeping duties from the cash handling duties. However, this could require that the city hire additional staff to separate these duties.

05-5 Checking Account Responsibility

The City provides a cash death benefit to members of two employee unions. Investment and checking accounts are maintained separately for the payment of these benefits. The disbursements are not made out of the pooled cash commercial checking account. During 2005, the custody of the checkbook and blank check stock for this account was moved to a staff member in Finance. This same staff member prepares the bank reconciliation for the checking account and also has the authority to post adjustments to the general ledger. A lack of segregation of duties exists over the control of this account as the staff has control over both the blank check stock and the financial records. While the staff member is not a signer on the account, they do have access to the blank check stock. Such a situation would allow the staff member in charge of the checkbook to write improper checks and disguise the improper disbursements through posting a journal entry to the general ledger. We wish to make it absolutely clear that we are not suggesting that the staff member is making errors of any nature. During the course of our audit, we found the checking account records to be both complete and accurate. What we are saying is that due to the lack of segregation of duties, there is an inherent limitation in your system of internal accounting control which could allow errors to occur and not be detected. We would suggest that the check book and blank check stock be controlled by someone other than the staff member with recordkeeping responsibilities.

City of Flint
Schedule of Findings and Questioned Costs (continued)
June 30, 2005

Section III

Findings and questioned costs related to federal awards:

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
<u>Finding 05-6</u> Local Law Enforcement Block Grant CFDA 16.592	<p>Finding Type – Reportable Condition</p> <p>Criteria – Grant guidelines require that quarterly financial reports be filed within 45 days of the end of the quarter</p> <p>Condition – Of the 9 reports filed for this program, four were filed within the required time frames</p> <p>Context – Reports were filed late</p> <p>Effect – Reports were not timely</p> <p>Cause – Staffing constraints</p> <p>Recommendation – We recommend that procedures be implemented to ensure reports are filed timely</p> <p>Views of responsible officials and planned corrective actions – There were delays in filing some of the reports due to staffing constraints. The City is in the process of addressing these staffing issues so that reports can be filed in a timely manner.</p>	\$-0-
<u>Finding 05-7</u> COPS Grant CFDA 16.710	<p>Finding Type – Reportable Condition</p> <p>Criteria – Grant guidelines require that quarterly financial reports be filed within 45 days of the end of the quarter.</p> <p>Condition – Of the four reports filed for this program, one was filed within the required time frames.</p> <p>Context – Reports were filed late</p> <p>Effect – Reports were not timely</p> <p>Cause – Staffing constraints</p> <p>Recommendation – We recommend that procedures be implemented to ensure reports are filed timely.</p> <p>Views of responsible officials and planned corrective actions – There were delays in filing some of the reports due to staffing constraints. The City is in the process of addressing these staffing issues so that reports can be filed in a timely manner.</p>	\$-0-

City of Flint
Schedule of Findings and Questioned Costs (continued)
June 30, 2005

Section III – (continued)

Findings and questioned costs related to federal awards: - (continued)

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
<u>Finding 05-8</u> Homeland Security CFDA 97.044	<p>Finding Type – Reportable Condition</p> <p>Criteria – Grant guidelines require that semi-annual reports be filed within six months of the award date.</p> <p>Condition – Of the two reports filed for this program, none were filed within the required time frames</p> <p>Context – Reports were filed late</p> <p>Effect – Reports were not timely</p> <p>Cause – Staffing constraints</p> <p>Recommendation – We recommend that procedures be implemented to ensure reports are filed timely.</p> <p>Views of responsible officials and planned corrective actions – There were delays in filing some of the reports due to staffing constraints. The City is in the process of addressing these staffing issues so that reports can be filed in a timely manner.</p>	\$-0-

City of Flint
Schedule of Findings and Questioned Costs (continued)
June 30, 2005

Section III – (continued)

Findings and questioned costs related to federal awards: - (continued)

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
<u>Finding 05-9</u> HOME Investment Partnership CFDA 14.239	<p>Finding Type – Reportable Condition</p> <p>Criteria –Grant guidelines require that when HOME funds are used to support the construction of low income housing, that the recipient must monitor the rental operations to ensure that the HOME supported units are rented to allowable low income tenants.</p> <p>Condition – The City obtains and reviews the tenant income certification forms prepared by property managers to ensure that the units are rented to low income individuals. Of the five properties supported with HOME funding, evidence of monitoring the tenant income certifications could be located for only three of the properties.</p> <p>Context – Evidence of monitoring as required by the grant was not present.</p> <p>Effect – Could not verify that client is consistently monitoring tenant income certification in accordance with its own policies</p> <p>Cause – Property owners do not consistently remit required information to the City.</p> <p>Recommendation – We recommend that procedures be implemented to ensure that HOME supported rental units are rented only to allowable low income tenants.</p> <p>Views of responsible officials and planned corrective actions – On an annual basis, the City is sending written communication to the owners of rental property to obtain tenant income information on all HOME-assisted rental units. The City will continue to work with any property owner that is not in compliance with City and HOME requirements. Failure to comply with submission of this information will result in the City requesting repayment of the HOME loan.</p>	\$-0-

City of Flint
Schedule of Findings and Questioned Costs (continued)
June 30, 2005

Section III – (continued)

Findings and questioned costs related to federal awards: - (continued)

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
<u>Finding 05-10</u> HOME Investment Partnership CFDA 14.239	<p>Finding Type – Reportable Condition</p> <p>Criteria – Grant guidelines require that when HOME funds are used to support the construction of low income housing, that the recipient must inspect the rental units to ensure that they are in compliance with property standards.</p> <p>Condition – The City obtains and reviews on site inspections and reviews information supplied by property management asserting that their buildings are in compliance with property standards. Of the five properties supported with HOME funding, two properties have not supplied documentation of rental inspections as to compliance with property standards.</p> <p>Context – Evidence of monitoring as required by the grant was not present.</p> <p>Effect – Could not verify that client is consistently monitoring property standards in accordance with its own policies</p> <p>Cause – Property owners do not consistently submit inspection records and documents ensuring compliance with property standards.</p> <p>Recommendation – We recommend that procedures be implemented to ensure that HOME supported rental units are inspected annually to ensure compliance with property standards.</p> <p>Views of responsible officials and planned corrective actions – On an annual basis, the City makes written communications to owners of rental property in order to obtain annual property inspections for all HOME-assisted rental units. The City will continue to work with any property owners that are not in compliance with City and HOME requirements. Failure to comply with submission of this information will result in the City requesting repayment of the HOME loan.</p>	<p>\$-0-</p>

City of Flint
Schedule of Findings and Questioned Costs (continued)
June 30, 2005

Section III – (continued)

Findings and questioned costs related to federal awards: - (continued)

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
<u>Finding 05-11</u>	Finding Type – Reportable Condition	\$-0-
Homeland Security CFDA 97.004	Criteria – Grant guidelines require that the City verify that vendors or contractors with contracts exceeding \$25,000 are not suspended or debarred from participating in federally funded activities.	
COPS CFDA 16.710	Condition – The City has no system in place to determine if vendors\contractors are debarred or suspended	
Local Law Enforcement Block Grant CFDA 16.592	Context – The City does not test for debarment or suspension	
Urban Parks and Recreation Recovery Program Grant CFDA 15.919	Effect – Could not verify that City is not contracting with debarred or suspended vendors	
	Cause – The City has no system in place to verify debarment or suspension of vendors\contractors.	
	Recommendation – We recommend that procedures be implemented to verify that potential vendors and contractors are not debarred or suspended from participating in federally funded programs.	
	Views of responsible officials and planned corrective actions – The City will require the vendor to certify that they are not suspended or debarred from entering into a federal contract	

City of Flint
Schedule of Findings and Questioned Costs (continued)
June 30, 2005

Section III – (continued)

Findings and questioned costs related to federal awards: - (continued)

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
<u>Finding 05-12</u> Homeland Security CFDA 97.004	<p>Finding Type – Reportable Condition</p> <p>Criteria – Grant guidelines require that the City maintain records of capital equipment purchased with federal grants to ensure that any sale proceeds from disposal of such equipment is returned to the federal program.</p> <p>Condition – The City has no system in place that tracks capital assets purchased with Homeland Security grants.</p> <p>Context – The City did not have a listing of equipment purchases funded through these grants.</p> <p>Effect – The City is not able to identify equipment purchased with grant funds.</p> <p>Cause – The City has no system that documents capital assets purchased with Homeland Security grants.</p> <p>Recommendation – We recommend that procedures be implemented to maintain a list of capital assets purchased with Homeland Security grants.</p> <p>Views of responsible officials and planned corrective actions – In FY 2006, the City will establish a system of tracking equipment purchased with federal funds with all the necessary details.</p>	<p>\$-0-</p>

City of Flint
Schedule of Findings and Questioned Costs (continued)
June 30, 2005

Section III – (continued)

Findings and questioned costs related to federal awards: - (continued)

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Finding 05-13 HOME Investment Partnership CFDA 14.239 CDBG CFDA 14.218	<p>Finding Type - Reportable Condition</p> <p>Criteria – Grant guidelines require that the City monitor HOME and CDBG subrecipients who have received City grant funding.</p> <p>Condition – The City has a monitoring system and contracts that require subrecipients to provide audited financial statements in compliance with the Single Audit Act. Of the 6 HOME and CDBG subrecipients tested, five of the subrecipients did not have a current audit report in their file. Of the five subrecipients, the latest audit report on file was September 30, 2003.</p> <p>Context – The City does not consistently obtain and review subrecipient audit reports as required in the contracts with their subrecipients.</p> <p>Effect – The City does not consistently receive documentation regarding internal controls and compliance testing performed on HOME and CDBG subrecipients.</p> <p>Cause – The City does not have a monitoring system to insure that all subrecipient audit reports are received.</p> <p>Recommendation – We recommend that procedures be implemented to verify that subrecipient audit and compliance reports for all subrecipients that receive such reporting are obtained and reviewed by city monitors.</p> <p>Views of responsible officials and planned corrective actions – Application procedures and contract procedures require audits to be provided to City, at a minimum, on an annual basis. Major Grants is working to establish a database as an additional mechanism to ensure that audits are obtained when completed by the subrecipient's auditing firm.</p>	<p>\$-0-</p>

City of Flint
Schedule of Findings and Questioned Costs (continued)
June 30, 2005

Section III – (continued)

Findings and questioned costs related to federal awards: - (continued)

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Finding 05-14 HOME Investment Partnership CFDA 14.239	Finding Type – Reportable Condition Criteria – Grant guidelines require that the City monitor HOME and CDBG subrecipients of City grant funding and instruct them to return any unspent grant advances back to the City.	\$125,000
CDBG CFDA 14.2118	Condition – During 2005, two subrecipients under the CDBG and HOME programs ceased operations. One subrecipient has uncompleted projects that may require funding to be returned to HUD by the City. Context – Potential amounts are owed back to HUD for subrecipients' uncompleted projects. Effect – The City did not receive documentation regarding internal controls and compliance testing performed on HOME and CDBG subrecipients to know that the entities were in financial distress and had uncompleted projects. Cause – The City has no procedure in place to identify and follow up on uncompleted projects as part of the monitoring process. Recommendation – We recommend that procedures be implemented to allow monitoring of subrecipient projects for uncompleted projects. Views of responsible officials and planned corrective actions – The City has retained legal counsel to facilitate the transfer of all assets back to the City of Flint. Once this transfer is complete, Major Grants will assess each project and initiate a plan of action that will ensure projects are completed which will prevent funds to be repaid to HUD.	

City of Flint
Schedule of Findings and Questioned Costs (continued)
June 30, 2005

Section III – (continued)

Findings and questioned costs related to federal awards: - (continued)

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
<u>Finding 05-15</u> COPS CFDA 16.710	<p>Finding Type – Reportable Condition</p> <p>Criteria – Grant guidelines require that an Equal Employment Opportunity Plan (EEOP) report be submitted within 120 days of the grant award.</p> <p>Condition – The City could not locate and verify that an EEOP report was filed within the requirement time frame.</p> <p>Context – Report could not be located to verify its filing.</p> <p>Effect – It could not be determined if the EEOP plan was submitted timely.</p> <p>Cause – No procedures were in place to ensure that the EEOP report was submitted.</p> <p>Recommendation – We recommend that procedures be implemented to ensure reports are filed timely.</p> <p>Views of responsible officials and planned corrective actions – The City will revise its procedures to be sure that a copy of the EEOP report for federal grants over \$500,000.00 is submitted on time.</p>	<p>\$-0-</p>

City of Flint
Schedule of Findings and Questioned Costs (continued)
June 30, 2005

Section III – (continued)

Findings and questioned costs related to federal awards: - (continued)

<u>Program</u>	<u>Finding/Noncompliance</u>	<u>Questioned Costs</u>
Finding 05-16 Homeland Security CFDA 97.004	<p>Finding Type – Reportable Condition</p> <p>Criteria – Grant guidelines require that federal cash be drawn down when the cash is needed for expenditures under the grant.</p> <p>Condition – The City drew down Homeland Security funds a month prior to the actual cash disbursement being made.</p> <p>Context – Cash was drawn down prior to expenditure of funds.</p> <p>Effect – Cash was drawn down too early.</p> <p>Cause – Cash was drawn down based on a purchase order rather than an invoice.</p> <p>Recommendation – We recommend that procedures be implemented to ensure cash is drawn down within a reasonable time frame of being needed to meet expenditures.</p> <p>Views of responsible officials and planned corrective actions – Under the Assistance Firefighter Grant program, the City was allowed to draw down grant payments either in advance or on reimbursable basis for immediate cash needs. Grant funds should be requested to meet immediate needs and therefore should be requested as close as possible to the time that funds are actually expended. When the request was made and the money received, delivery was expected within a few weeks as stated in the Request for Funds filed on August 20, 2005. In the future funds will not be drawndown until check is cut to pay for the equipment.</p>	\$-0-

City of Flint, Michigan
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Assistance I.D. Number</u>
Department of Housing and Urban Development		
Direct Programs:		
Community Development Block Grant (Year 25)(3)	14.218	B-99-MC-26-0018
Community Development Block Grant (Year 26)(3)	14.218	B-00-MC-26-0018
Community Development Block Grant (Year 27)(3)	14.218	B-01-MC-26-0018
Community Development Block Grant (Year 28)(3)	14.218	B-02-MC-26-0018
Community Development Block Grant (Year 29)(3)	14.218	B-03-MC-26-0018
Community Development Block Grant (Year 30)(3)	14.218	B-04-MC-26-0018
Emergency Shelter Grant - 2002 (3)	14.231	S-02-MC-26-0018
Emergency Shelter Grant - 2003 (3)	14.231	S-03-MC-26-0018
Emergency Shelter Grant - 2004 (3)	14.231	S-04-MC-26-0018
HOME Investment Partnership Program - 1998(3)	14.239	M-98-MC-26-0204
HOME Investment Partnership Program - 2002(3)	14.239	M-02-MC-26-0204
HOME Investment Partnership Program - 2003(3)	14.239	M-04-MC-26-0204
EDI Economic Development	14.246	B-99-ED-26-0019
HOME Ownership Zone	14.246	H-297-035
Total Department of Housing and Urban Development		
Department of Interior		
Direct Program:		
Urban Parks and Recreation Recovery Program Grant	15.919	26-CTY-1730-01-01
Department of Homeland Security		
Direct Program:		
State Domestic Preparedness Equipment Support Program	97.004	EMW-2004-FG-03282
State Domestic Preparedness Equipment Support Program	97.004	EMW-2003-FG-7508
Indirect Program:		
Passed Through Genesee County		
State Domestic Preparedness Equipment Support Program	97.004	N/A
Total Department of Homeland Security		
Department of Justice		
Indirect Programs:		
Passed Through State of Michigan		
Office of Drug Control Policy		
Bryne Memorial -2004 - School Residence Officer	16.579	72077-2-03-B
Bryne Memorial -2005 - School Residence Officer	16.579	72077-3-04-B
Bryne Memorial Crime Prevention	16.579	72110-1-03-B
Passed Through County of Genesee		
Bryne Memorial -2004 - FANG	16.579	70983-4-04-B
Bryne Memorial -2005 - FANG	16.579	70983-3-03-B

Federal Grant Amount	Accrued Expenditures For Year Ended 06/30/05(2)
\$ 5,569,000	\$ 13,380
5,574,000	311,697
5,756,000	67,635
5,886,000	639,462
5,274,000	784,646
5,216,000	2,504,319
196,000	4,193
202,000	47,935
192,920	116,672
1,793,000	49,139
2,153,000	193,365
1,469,791	26,512
700,000	147,504
1,182,308	3,391
<hr/> 41,164,019	<hr/> 4,909,850
<hr/> 224,686	<hr/> 116,889
350,000	346,037
158,130	158,130
<hr/> 85,903	<hr/> 64,503
<hr/> 594,033	<hr/> 568,670
98,891	15,934
61,895	47,399
33,219	15,678
33,062	7,567
33,062	23,907

City of Flint, Michigan
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

<u>Federal Grantor</u>	<u>Federal CFDA Number</u>	<u>Federal Assistance I.D. Number</u>
Department of Justice (continued)		
Passed Through State of Michigan		
Department of Community Health		
Victims of Crime Act of 1984 (20431-7V02)	16.575	2002-VA-GX-0026
Victims of Crime Act of 1984 (20431-8V03)	16.575	2003-VA-GX-0026
Direct Programs:		
COPS - COPS in Schools	16.710	2002SHWX0551
COPS - Technology Grant	16.710	2003-CK-WX-0132
Local Law Enforcement Block Grant	16.592	04-LB-BX-1198
Local Law Enforcement Block Grant	16.592	03-LB-BX-2016
Weed and Seed	16.595	2004-WS-Q4-0084
Total Department of Justice		
Environmental Protection Agency		
Indirect Program:		
Passed Through State of Michigan		
Capitalization Grant for Drinking Water Revolving Fund Loans	66.468	N/A
Economic Development Administration		
Direct Program:		
Title IX Revolving Loan Fund - program income(4)	11.307	N/A
Department of Transportation		
Indirect Program:		
Passed through State of Michigan:		
Highway Planning and Construction (TEA-21)	20.205	STP-0225 (017)
Highway Planning and Construction (TEA-21)	20.205	STP-0225 (021)
Highway Planning and Construction (TEA-21)	20.205	STP-0325 (035)
Highway Planning and Construction (TEA-21)	20.601	PT-04-71
Total Department of Transportation		
Total Federal Assistance		

Federal Grant Amount	Accrued Expenditures For Year Ended 06/30/05(2)
100,588	33,962
100,588	74,589
1,250,000	363,990
248,375	58,375
151,111	14,060
394,579	267,961
175,000	61,327
<u>2,680,370</u>	<u>984,749</u>
14,746,711	4,932,265
<u>1,500,000</u>	<u>33,272</u>
249,563	85,771
785,715	157,143
219,974	42,656
5,000	5,000
<u>1,260,252</u>	<u>290,570</u>
<u>\$ 62,170,071</u>	<u>\$ 11,836,265</u>

City of Flint, Michigan
Schedule of Expenditures of Federal Awards (continued)
Year Ended June 30, 2005

- (1) The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Flint and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.
- (2) "Expenditures" include all accrual basis federal expenditures that result in the receipt of federal monies associated with the project as well as expenditures of program income, except as noted in (3).
- (3) The Community Development Block Grant Program, Home Investment Partnership Program, and Emergency Shelter Grant expend a majority of their funding through subrecipients subject to the Single Audit Act.
- (4) At June 30, 2005, the City of Flint revolving loan fund has a business loan portfolio of \$620,797 net of estimated uncollectible reserve and cash and investment holdings of \$1,222,451. All current year expenditures were funded via program income. At June 30, 2005, the City of Flint Economic Development Corporation has a business loan portfolio of \$102,010, net of estimated reserve and cash and investment holdings of \$683,361. All current year expenditures were funded via program income.
- (5) Reconciliation of revenues per the financial statements versus the schedule of expenditures of federal awards is as follows:

Total federal revenue per:	
The statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 6,055,201
The statement of revenues, expenses, and changes in fund net assets - proprietary funds	815,526
Plus:	
Drinking water revolving loan funds recorded as liability	4,932,265
Revolving loan program income expenditures	<u>33,273</u>
	<u>\$11,836,265</u>

City of Flint
Prior Year's Unresolved Findings
Year Ended June 30, 2004

Findings 04-1 through 04-11 relate to internal controls and are not specific to federal awards therefore they have not been included on this schedule.

2004 – Finding No. 04-12

Condition:

Reports required under the Local Law Enforcement Block grant were not filed timely.

Recommendation:

File reports timely.

Current Status:

Testing performed during the 2005 Single Audit indicates that reports are not being filed within the required time frames. The comment is repeated in the 2005 Schedule of Findings and Questioned Costs.

2004 – Finding No. 04-13

Condition:

Reports under the COPS grant were not filed timely.

Recommendation:

File reports timely.

Current Status:

Testing performed during the 2005 Single Audit indicates that reports are not being filed within the required time frames. This comment is repeated in the 2005 Schedule of Findings and Questioned Costs.

2004 – Finding No. 04-14

Condition:

Reports required by the EDA Revolving Loan Program were not filed.

Recommendation:

Prepare reports required by the EDA Revolving Loan Program.

Current Status:

On September 7, 2005, the City provided the EDA with the required semi-annual reports.

2004 – Finding No. 04-15

Condition:

The City was not monitoring apartment complexes subsidized with HOME monies to ensure that units were only rented to eligible low income tenants.

Recommendation:

Obtain the necessary documentation to monitor the rental units.

Current Status:

Of the five apartment complexes subsidized with HOME funds, necessary documentation was received from four apartment complexes. The City is working with the owner of the apartment complex that has not provided the information.

City of Flint
Prior Year's Unresolved Findings (continued)
Year Ended June 30, 2004

2004 – Finding No. 04-16

Condition:

The City was not monitoring the physical condition of apartment buildings subsidized with HOME funding.

Recommendation:

Obtain the necessary documentation to inspect the physical condition of the apartment buildings.

Current Status:

Of the five apartment buildings subsidized with HOME funds, necessary documentation of physical inspections was received from three of the apartments. The City is working with the owners of the two apartments that did not submit inspection documentation.

2004 – Finding No. 04-17

Condition:

The A-133 Compliance Supplement indicates that loan files should be maintained which must contain certain items. Two required items, a copy of the loan application forms and documentation of the inability to obtain conventional financing for the project could not be located.

Recommendation:

The City was unable to obtain the documentation.

Current Status:

The loan initiation and processing was performed by an agent for the City who no longer provides services to the City. The City was unable to obtain the documentation.

2004 – Finding No. 04-18

Condition:

The City did not provide the CFDA number of pass through federal grants to their subrecipients.

Recommendation:

Change contracts with subrecipients to include the CFDA numbers.

Current Status:

During review of current contracts this information was provided in the contracts for the July 1, 2004 to June 30, 2005 funding year contracts.